

## I. ACHIEVEMENTS

Over the last years, the Binh Phước Province's banking sector have made significant contributions to local socio-economic development as follows:

(1) Providing an important part of capital for agricultural and rural development in Binh Phước Province in terms of mass production of goods and better cooperation with other provinces in the southeastern region.

Provincial banks have supplied huge capital and played an important role in the province's for socio-economic development over the last five years. From 1997 to 2002, total mobilized funds reached some VND1,800 billion and outstanding loans VND7,000 billion. As a result, banks have generated a strong inter-

(5) Maintaining political security and societal safety and strengthening defense in Binh Phước Province.

## II. RESTRICTIONS

In addition to the above achievements, the provincial banking system has revealed certain restrictions due to the following reasons:

### 1. In respect of customers

First, low feasibility of projects and production plans: At present, it is hard to find eligible borrowers because the projects and plans are still spontaneous. Their production method, harvesting, preserving and processing technologies remain a lot of weakness. The quality and productivity of plants and animals are low. The output value of a hectare growing cashew, for example, attains only

Second, the people's educational attainment remains low and their knowledge about banking services faces many restrictions.

More than 90% of customers of the province-based credit institutions are mainly business families. Their consciousness of legislation is not sufficient, especially for obligations of the borrower in credit transaction with the bank. At the same time, there are no legal advising services in Binh Phước Province.

Third, the capacity of production expansion and export is not high.

### 2. In respect of banks

First, capital mobilization has a lot of inadequacies. Local banks still apply traditional forms to attract funds. The deposits are mainly time accounts, so it is hard to plan the

# BANK CREDIT FOR AGRICULTURAL AND RURAL DEVELOPMENT OF BINH PHƯỚC PROVINCE

by NGUYỄN VĂN LÂM

nal resource attracting potentials from other provinces in the southeastern region.

(2) Helping with economic restructuring and labor redivision towards industrialization and modernization.

Bank loans have spurred development of occupational sectors and farm economy of Binh Phước Province. In 2002, commercial banks gave loans worth nearly VND2,000 billion for rural development and VND700 billion for industrial production, and VND200 billion for services. The province's inappropriate economic structure was thus rectified. The ratio of industrial production and construction increased from 4.7% in 1997 to 9.17% in 2001. The service sector soared from 25.1% in 1997 to 33.99% in 2001.

(3) Improving the people's material and spiritual life, especially in remote areas.

Bank loans were used for building power grids, roads, irrigation works, health and education projects, spending and refurbishing cultural relics to attract tourists.

(4) Reducing usury in agriculture and rural areas.



US\$360, rubber US\$686 and cassava US\$495 while the figure of other neighboring countries is two to ten times higher. Consequently, the competitive edge of the province's agro-products is blunt in local and foreign markets, especially when Vietnam joins AFTA.

capital sources, especially when commercial banks want to increase medium and long-term investment in production and business. The volume of attracted capital represents a small percentage as compared to total outstanding loans, commercial banks must depend on the central



government's loans with high costs and difficulty in loan planning.

Commercial banks are encountering fierce competition with non-banking financial institutions like life insurance, post saving, people's saving fund...in capital mobilization.

Second, weakness in offering loans: Commercial banks' credit expansion has faced a lot of hindrance, especially to farmers in remote areas and ethnic minority as well as to the sectors of service, trade, industry and farm economy.

The lending procedure remains cumbersome and inappropriate, borrowers still waste a lot of time and energy to take loans from banks.

Third, the network of commercial banks is thin and distributed unevenly.

Fourth, the bank staff's skill is not adequate and does not meet requirements. Their ability to evaluate efficiency of projects and production and business plans is poor, even inaccurate and unfair in some cases.

Fifth, the bank's working facilities are still obsolete and not upgraded properly.

### 3. In respect of government management.

First, the sub-regional planning and agricultural extension task are restrained.

Second, the granting of land-use right certificates is still slow.

The evidence shows farmers' assets used as collateral for bank loans are mainly their farmland. According to the Binh Phước's Service of Land Registration, there are so far 79% of total families granted land-use right certificates. This is a rather high percentage proving great efforts of the land authority. However, 20% of families having no land-use right certificates are obstacles to the growth of outstanding loans while farmers are lacking funds for production.

Third, the province has not yet devised an economic restructuring strategy and planned to speed up the agroproduct processing industry. The market of agroproducts is not stable. The province's policy on price subsidy applicable to main items including rice, food, fertilizer...for remote areas and ethnic minorities faces a lot of restrictions.

Fourth, investment in infrastructures remains inadequate. Some main roads are not upgraded and expanded, leading to difficult transportation and thus increasing input costs and reducing profits. Investment in culture, education, health is

modest. Therefore the people's low intellectual level becomes great challenges to bank credit expansion for the Binh Phước Province's rural development.

Fifth, the settlement of bad debts encounters a lot of difficulties. The law enforcement agencies have not yet helped commercial banks with their debt recovery according to the court judgment.

### III. SOLUTIONS FOR DEVELOPMENT

Based on our survey and analysis, we suggest some solutions to en-



hance the efficiency of credit activities in Binh Phước province:

#### 1. General measures

- To expand the banking network by establishing branches in essential areas and credit teams including 3 to 5 members in remote areas.

- To use the instrument of interest rates effectively to attract the people's dead money as well as to apply non-interest measures like sales promotion and offering "gold customers" cards...

- To build a customer strategy and advertise banks' services to attract customers.

- To develop the human resource and modernize banking technologies.

#### 2. Focus on measures to strengthen available capital sources

- To make the best use of cheap capital sources allocated by the central government, for example, foreign aids, foreign projects, ODA,

state budget to build irrigation works...

- To provide different services to attract funds from residents, workers, organizations, enterprises... for example, to encourage administrative agencies to open accounts in banks and make payments (even paying wages) via banks.

- To attract funds via the bank investment projects.

- To implement the policy on deposit insurance for customers.

- To offer loans following each specific project.

- To simplify the lending proce-

dure and give collateral-free loans to the ethnic minorities.

- To give loans in accordance with each crop and production cycle as indicated in the following formula:

The lending duration = the time of growing and harvesting + the time of selling products + the time of stockpiling goods (waiting for price hike)

- To continue to perfect the task of controlling and settling overdue debts.

- To suggest the central bank and head offices of major banks should apply the policy on preferential refinancing with low interest rates for mountainous provinces like Binh Phước.

- To train staff for the bank branch in mountainous areas.

- To propose the province leadership to help settle banks' bad debtors, and accelerate issuing certificates of land-use right and house ownership with the aim to meet urgent needs for capital in business and production. ■